TEL. 878-3606

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Jole

CABLE ADDRESS: "MINBEC"

CARBEC MINES LIMITED
(No Personal Liability)
SUITE 1402
800 DORCHESTER BOULEVARD WEST
MONTREAL 2, P.Q.

M Scott

January 18, 1968

TO THE SHAREHOLDERS:

The Preliminary Feasibility Study initiated by your Company in August last year was received on December 1, 1967.

At a meeting of the Board of Directors, held on the same date, it was decided that Mr. R. W. Howe and the management prepare a summary of the Preliminary Feasibility Report for release to the Shareholders after such summary has been approved for release by the appropriate regulatory authority.

This summary is attached hereto.

Yours sincerely,

L. G. Nicol
President

PRELIMINARY FEASIBILITY REPORT

Introduction

The Preliminary Feasibility Report by Mr. R. W. Howe, consulting mining engineer and Dr. P. R. Eakins, consulting geologist, was received on December 1, 1967. These consultants were aided by Dr. Roger A. Blais, consulting geological engineer and specialist in geological statistics; Messrs. L. J. Trew, R. J. Isherwood and Peter Leidich of the Henry J. Kaiser organization and Mr. Ralph Hutchison, consulting geophysicist.

The report primarily considers the copper containing zones XYZ, E, F and G, in the Munshiwemba section (See Figure 1), which are within a strike length of 2,000 feet of the total length of 52,800 feet of mining locations, held by Mkushi Copper Mines Limited, and in which other copper concentrations are known. The copper mineralization is expected to be present at depth. Completed geophysical work has indicated an extension of the Munshiwemba G zone and an additional H zone to the southwest. (See Figures 2 and 3). Copper mineralization is known about 800 feet along the strike to the northeast.

Assumptions

The principal assumptions on which the report is based include:

- That electric power will be available on the property.
- That, that part of the estimated tonnages and grades of the reserves which were based on incomplete information will be confirmed by later work.
- That the sale price of copper will be 40 cents* (U.S.) a pound.
- That the tax structure for new mines at present under consideration by the Zambian Government will be favourable.

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* This price represents the U. S. Domestic Refinery price as quoted in the Metals Week (E. & M. J.). This quotation was suspended on September 1, 1967. The Metal Week December average price quotations were:

Export Refinery 53.6¢ (U.S.) per pound
C.I.F. European Ports 54.6¢ (U.S.) per pound

The London Metal Exchange December average wire-bar copper 3-months futures was 56.3¢ (U.S.) per pound.

RESERVES

Depth (Ft.)	Classification	Short tons	Average Grade
to 600	Possible & Proven	2,553,726	1.97% Copper

Of this tonnage 486,068 tons averaging 2.63% Copper are considered as proven ore.

Dr. R.A. Blais, in estimating these reserves indicated to date, used a calculated cubic-foot per ton factor of 11.11, a cut-off grade of 0.7% copper and the higher assays were not reduced. Possible dilution in the event of mining was not considered.

OPEN PIT

It became apparent from a study of the vertical cross-sections of the mineralization that the zones might be mined to the 200-foot horizon by open-pit. Mr. L.J. Trew, therefore, made estimates and used a cubic-foot per ton factor of 12, a cut-off grade of 0.3% copper and reduced all assays over 8% copper by 50%. No allowance was made for dilution. The purpose of the estimates was to establish for consideration of open-pit mining the tonnage, grade and the waste-"ore" ratio.

The following are his tonnage and grade results:

Depth (Ft.)	Classification	Short tons	Average Grade
to 200	Possible & Proven	1,132,887	1.77% Copper

Of this tonnage 361,301 tons averaging 2.27% Copper are considered proven ore.

The study indicated that the 1,132,887 tons above the 200 foot horizon could be mined profitably by open-pit provided that the fundamental assumptions are realized and the estimated tonnage, grade and waste-"ore" ratios are confirmed. Operating at 1,000 tons a day the 1,132,887 tons would provide mill feed for 3.25 years. The decision to produce cannot be made until the estimated grade, tonnage and waste-"ore" ratio are confirmed by a percussion-drilling programme. The estimated time required for this programme is three to five months. The estimated additional time required to prepare the deposit for production and provide milling facilities, should this decision appear advisable, could range between a year and a year and a half.

UNDERGROUND

The greater part of the reserves other than the 1,132,887 tons would have to be mined by underground methods at a later date. The information is not sufficiently complete at present to estimate the cost of mining accurately. A rough estimate of the cost of the equipment, shaft sinking and underground development is $1.7 million.

The present open-pit reserve of 1,132,887 tons is only that which has been indicated to date. The development of additional open-pit reserves is quite possible.

MKUSHI COPPER MINES LIMITED

Estimated Funds Required for
Development and Production

A. Development of Open-Pit Operation

Over the next 3 to 5 months the funds required to confirm the open-pit operation may be summarized as follows:

Working capital and diamond drilling expenditures commenced in October 1967	$ 120,000.
Equipment (compressors, air tract drills, accessories including freight)	124,150.
Drilling - Percussion	68,000.
- Diamond	12,000.
Assay Laboratory	10,000.
Off-site costs	35,000.
Contingencies	50,000.
	$419,150

B. Production of Open-Pit Operation

The funds required over a period of eighteen months to prepare the deposit for production and to provide milling facilities, should this decision appear advisable, are as follows:

Mill for 1000TPD operation	$1,300,000.
Buildings and Equipment	709,800.
Development Work	322,650.
Off-site Costs	80,000.
	$2,412,450.
Option Payment	150,000.
	$2,562,450.

Schedule I

MKUSHI COPPER MINES LIMITED

ESTIMATED CASH FLOW FROM OPEN PIT OPERATION

SALE OF COPPER ON BASIS OF 40¢ LB.(U.S.)

Year	Tons Milled	Gross Receipts 1000 TPD	Op. Costs Plus Contingencies	Adm. Costs Plus Contingencies	Interest Charges	Allowance For Taxes	Cash Available
1st.	342,710	5,525,470	2,507,460	525,000	480,690	1,600	2,010,720
2nd.	350,000	4,619,780	2,261,813	481,000	177,000	10,000	1,689,967
3rd.	350,000	3,591,000	2,071,000	437,500	65,000	600	1,016,900
.25	78,565	806,071	465,110	98,206		4,300	238,455
	1,121,275	$14,542,321	$7,305,383	$1,541,706	$722,690	$16,500	$4,956,042

Note: The estimated cash available from the initial life of the open-pit operation of 3.25 years is $4,956,042. If the capital required which has been estimated at $2,562,450 is repaid within 3.25 years, a cash balance of $2,383,592 could be available.

Schedule II

MKUSHI COPPER MINES LIMITED

ESTIMATED CASH FLOW FROM OPEN PIT OPERATION

SALE OF COPPER ON BASIS OF 45¢ LB.(U.S.)

Year	Tons Milled	Gross Receipts 1000 TPD	Op. Costs Plus Contingencies	Adm. Costs Plus Contingencies	Interest Charges	Allowance For Taxes	Cash Available
1st.	342,710	6,216,150	2,507,460	525,000	480,690	37,400	2,665,600
2nd.	350,000	5,197,490	2,261,813	481,000	168,900	20,300	2,265,477
3rd.	350,000	4,039,880	2,071,000	437,500	36,000	87,100	1,408,280
.25	78,565	906,830	465,110	98,206		6,800	336,714
	1,121,275	$16,360,350	$7,305,383	$1,541,706	$685,590	$151,600	$6,676,071

Note: The estimated cash available from the initial life of the open-pit operation of 3.25 years is $6,676,071. If the capital required which has been estimated at $2,562,450 is repaid within 3.25 years, a cash balance of $4,103,621 could be available.

PROGRAMME FOR 1968

In view of the above, it is the intention of the management of your Company to proceed as soon as possible to negotiate for the needed funds for the outlined programme.

In addition to this the following matters must also be settled:

1. Option with Falcon Mines Ltd. The option agreement provides for the initial payment of $150,000 by February 17, 1968, and two successive payments of $75,000 each in Febraury 1969, and February 1970. In order to protect the rights of your Company every effort will be made to exercise the option or obtain a six-month extension for the initial payment to Falcon Mines Ltd.

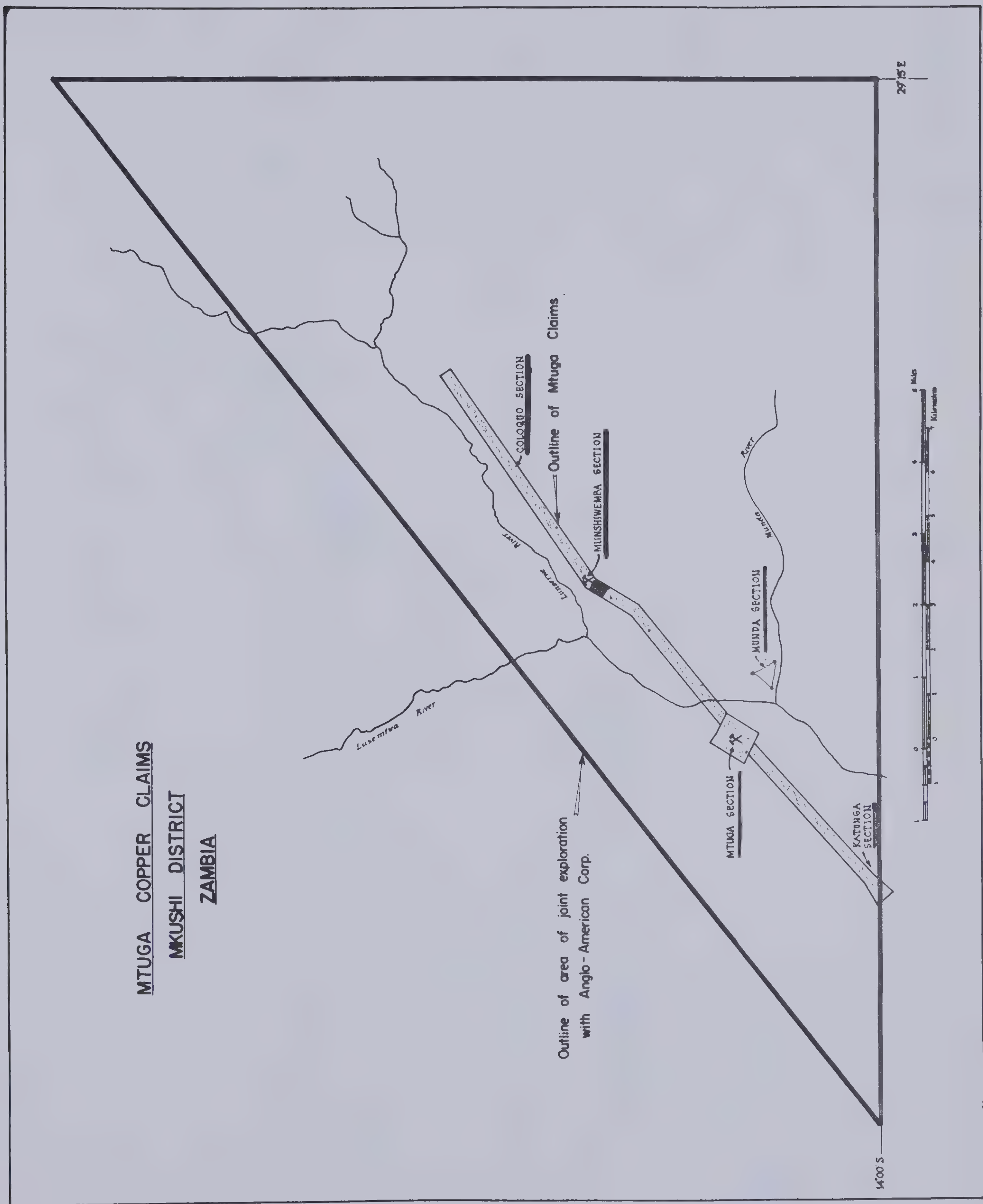
2. Negotiations will be conducted for the possible sale of the concentrates to the Copperbelt smelters or to others.

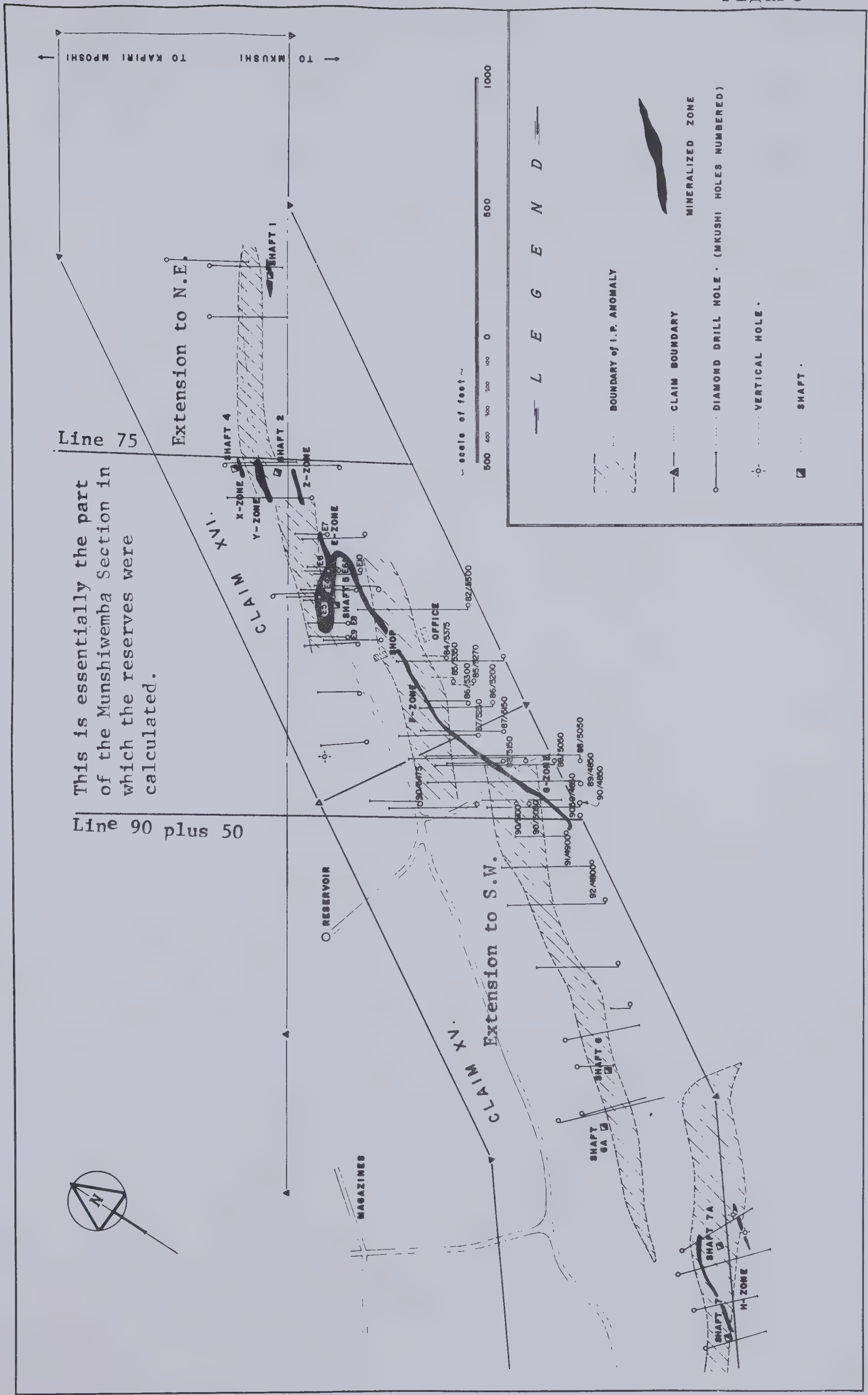
3. Negotiations would have to be conducted with the Government of the Republic of Zambia on the tax structure under which the project would have to operate as well as the availability of electric power.

4. Investigations will be carried out in order to determine the availability and delivery of equipment for the possible plant operation.

5. Negotiations will be conducted in order to assess the availability of the necessary major financing under the most advantageous conditions depending on the results of the development work to be carried out on the project during the next three to five months.

Figure I


MTUGA COPPER CLAIMS
MKUSHI DISTRICT
ZAMBIA
Outline of area of joint exploration with Anglo-American Corp.
Outline of Mtuga Claims
COLOQUO SECTION
MUNSHIWEMBA SECTION
MUNDA SECTION
MTUGA SECTION
KATUNGA SECTION
River
14°00'S



TO KAPIRI MPOSHI
TO MKUSHI
Extension to N.E.
Line 75
This is essentially the part of the Munshiwemba Section in which the reserves were calculated.
Line 90 plus 50
Extension to S.W.
CLAIM XVI.
CLAIM XV.
SHAFT 1
SHAFT 2
SHAFT 4
SHAFT 6
SHAFT 6A
SHAFT 7A
X-ZONE
Y-ZONE
Z-ZONE
E-ZONE
P-ZONE
G-ZONE
H-ZONE
OFFICE
SHOP
RESERVOIR
MAGAZINES
scale of feet
500 0 500 1000
L E G E N D
BOUNDARY of I.P. ANOMALY
CLAIM BOUNDARY
DIAMOND DRILL HOLE. (MKUSHI HOLES NUMBERED)
VERTICAL HOLE.
SHAFT.
MINERALIZED ZONE
MKUSHI COPPER MINES LTD
MUNSHIWEMBA SECTION.
COMPOSITE SURFACE PLAN
DRAWN BY PRE/JP
TRACED BY J.E.
SEPT 1967

Figure 2

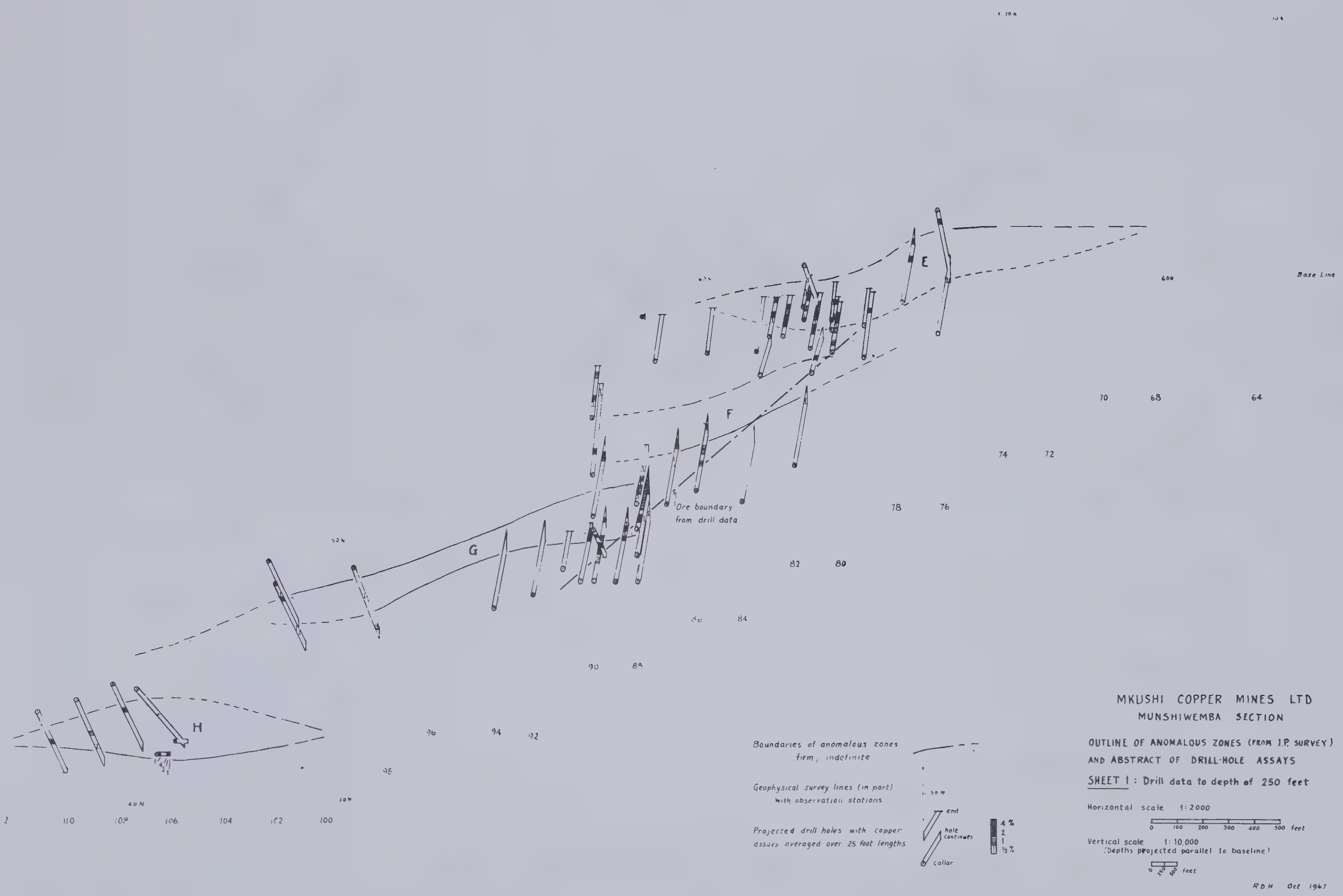
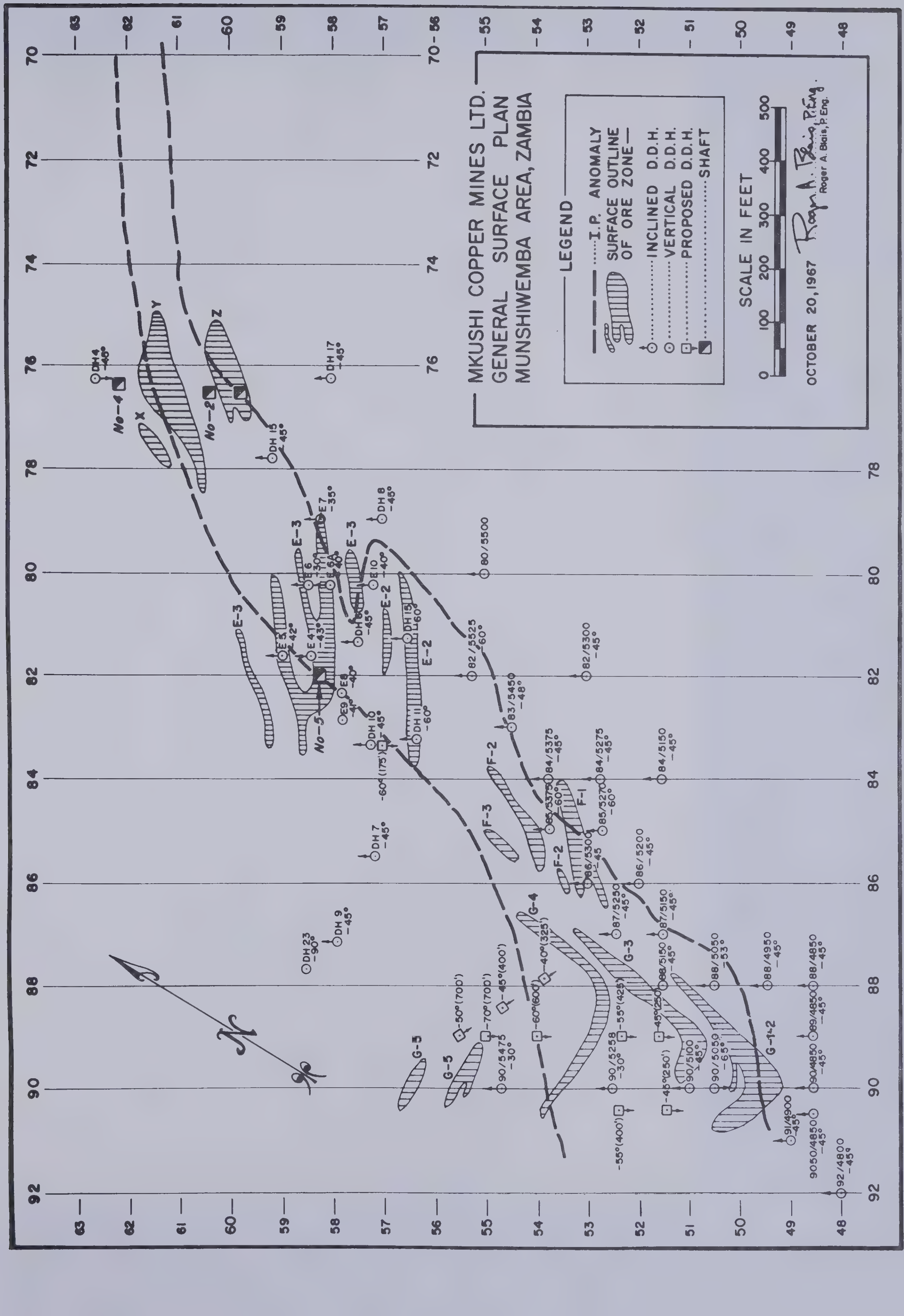

MKUSHI COPPER MINES LTD
MUNSHIWEMBA SECTION
OUTLINE OF ANOMALOUS ZONES (FROM I.P. SURVEY)
AND ABSTRACT OF DRILL-HOLE ASSAYS
SHEET 1 : Drill data to depth of 250 feet
Horizontal scale 1:2000
0 100 200 300 400 500 feet
Vertical scale 1:10,000
(Depths projected parallel to baseline)
0 250 500 feet
RDH Oct 1967
Boundaries of anomalous zones
firm, indefinite
Geophysical survey lines (in part)
with observation stations
Projected drill holes with copper
assays averaged over 25 foot lengths
end
hole continues
collar
4%
2
1
½%
Base Line
Ore boundary
from drill data
E
F
G
H
60
64
68
70
72
74
76
78
80
82
84
90
92
94
96
100
104
106
110

Figure 3

Figure 4


MKUSHI COPPER MINES LTD.
GENERAL SURFACE PLAN
MUNSHIWEMBA AREA, ZAMBIA
LEGEND
I.P. ANOMALY
SURFACE OUTLINE OF ORE ZONE
INCLINED D.D.H.
VERTICAL D.D.H.
PROPOSED D.D.H.
SHAFT
SCALE IN FEET
0 100 200 300 400 500
OCTOBER 20, 1967
Roger A. Blais, P.Eng.

AR19

CARBEC MINES LIMITED

24th *Annual Report* 1968

CARBEC MINES LIMITED

(No Personal Liability)

Officers:	LONEY G. NICOL, Chairman and President	Montreal, Quebec
	ROGER SAYKALY, Vice-President	Montreal, Quebec
	PAUL LANGLAIS, Vice-President	Montreal, Quebec
	TOM D. GRANICH, Secretary-Treasurer	Montreal, Quebec
Directors:	LONEY G. NICOL	Montreal, Quebec
	PAUL LANGLAIS	Montreal, Quebec
	GEORGE MANIATIS	Saint John, N.B.
	ROGER SAYKALY	Montreal, Quebec
	RANDOLPH W. HOWE	Montreal, Quebec
Head Office:	SUITE 1200, 1255 UNIVERSITY STREET	Montreal, Quebec
Exec. Office:	SUITE 1402, 800 DORCHESTER BLVD. W.	Montreal, Quebec
Transfer Agent and Registrar:	CANADA PERMANENT TRUST COMPANY	Montreal, Quebec
Auditors:	CAMPBELL, SHARPE, NASH & FIELD	Montreal, Quebec
Solicitors:	BOISVERT & PICKEL	Montreal, Quebec
Bankers:	THE ROYAL BANK OF CANADA	Montreal, Quebec
Listing:	CANADIAN STOCK EXCHANGE — TICKER SYMBOL — CRC	

CARBEC MINES LIMITED

(No Personal Liability)

REPORT BY THE DIRECTORS

Following protracted negotiations, the 500,000 shares of Mkushi Copper Mines Limited held by your company were sold on March 31, 1969 to European interests.

From the sale of these shares, Carbec realized $462,900 against an original investment of $250,000. In addition, Carbec has received the sum of $117,538.67 from Mkushi representing advances which it made to that company.

Consequently, a total of $580,438.67 has been brought into the treasury of your company. The directors are now in a position to consider further exploration and development of your company's Canadian properties.

You will note that the enclosed financial statements, which are as at the year end of December 31, 1968, do not reflect the transactions shown above.

April 15, 1969

On Behalf of the Board,

LONEY G. NICOL,
President.

AUDITORS' REPORT

To the Shareholders,

CARBEC MINES LIMITED
(No Personal Liability).

We have examined the balance sheet of Carbec Mines Limited (No Personal Liability) as at December 31, 1968 and the statement of deficit for the year then ended and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, according to the best of our information, the explanations given to us and as shown by the books of the company, these financial statements are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the company as at December 31, 1968 and the results of its operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

CAMPBELL, SHARPE, NASH & FIELD

Chartered Accountants

Montreal, April 11, 1969

CARBEC MINES LIMITED

(No Personal Liability)

BALANCE SHEET
AS AT DECEMBER 31, 1968

ASSETS

CURRENT ASSETS				
Cash			692.30	
Accounts receivable			780.43	
Prepaid expenses			384.48	
Deposits			1,075.00	
Advance to Ambec Company (at nominal value)			1.00	
				2,933.21
INVESTMENT IN AND ADVANCES TO SUBSIDIARY — Note 1				
Edgehill Mines Ltd.				
Investment			8,000.00	
Advances			32,332.28	
				40,332.28
INVESTMENTS AND ADVANCES — Note 1				
	Mkushi Copper Mines Ltd.	Other		
Investments at cost	75,000.00	1.00	75,001.00	
8% first floating charge debenture March 15, 1970	175,000.00	—	175,000.00	
Advances	117,538.67	—	117,538.67	
	$ 367,538.67	$ 1.00		367,539.67
FIXED ASSETS at cost				
Office furniture				8,627.16
				$ 419,432.32

ON BEHALF OF THE BOARD
L. G. NICOL, *Director.*
R.W. HOWE , *Director.*

LIABILITIES

CURRENT LIABILITIES					
Accounts payable and accrued liabilities					8,908.50

SHAREHOLDERS' EQUITY
CAPITAL STOCK — par value $1.00 per share
Authorized — 5,000,000 shares
Issued and fully paid in consideration for

	Number of shares	Par value	Discount on shares	Net	
Cash	2,430,003	2,430,003	1,662,750	767,253.00	
Mining claims	1,000,000	1,000,000	950,000	50,000.00	
	3,430,003	3,430,003	2,612,750	817,253.00	
DEFICIT — per statement attached				406,729.18	
					410,523.82
					$ 419,432.32

The accompanying notes form an integral part of the financial statements.

CARBEC MINES LIMITED

(No Personal Liability)

STATEMENT OF DEFICIT

FOR THE YEAR ENDED DECEMBER 31, 1968

	Balance December 31, 1967	1968	Balance December 31, 1968
COST OF CLAIMS ABANDONED OR SOLD	74,706.12	—	74.706.12
EXPLORATION AND DEVELOPMENT EXPENDITURES	181,224.45	511.85	181,736.30
ORGANIZATION EXPENSES	1,170.50	—	1,170.50
REDUCTION OF CARRYING VALUE OF INVESTMENTS TO THEIR MARKET VALUE	8,066.50	—	8,066.50
ADVANCE TO AMBEC COMPANY WRITTEN OFF AS IRRECOVERABLE	32,788.73		32,788.73
ADMINISTRATIVE EXPENSES			
Legal and audit	30,197.22	4,997.67	35,194.89
Stock registration and transfer expenses	14,503.69	2,262.09	16,765.78
General administrative expenses	78,746.73	28,773.11	107,519.84
	421,403.94	36,544.72	457,948.66
DEDUCT:			
Gain on sale of investments	14,941.63	—	14,941.63
Investment and other income	36,277.85	—	36,277.85
	51,219.48	—	51,219.48
	$370,184.46	36,544.72	406,729.18

The accompanying notes form an integral part of the financial statements.

CARBEC MINES LIMITED

(No Personal Liability)

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1968

NOTE 1 -- All investments are shown at cost. There were no quoted market values available.

Subsequent to the year end, the investment in Mkushi Copper Mines Ltd., of Zambia was sold for $462,900.00 and the advances of $117,538.67 were repaid. A condition of the sale was the assignment, without consideration, of the 8% first floating charge debentures in the amount of $175,000.00 and the waiving of all arrears of interest thereon.

The investment in Edgehill Mines Limited represents a 100% interest in that company, which holds approximately 10 square miles of Manganiferous claims in Nova Scotia. Advances have been made to cover expenditures occasioned by the exploration and development of these properties. Recovery of such advances is contingent on that company's going into successful commercial production.

NOTE 2 — Of the 3,430,003 issued shares, 1,000,000 shares are held in escrow by the Canada Permanent Trust Company.

NOTE 3 — The monthly rentals exclusive of additional amounts based on taxes and other occupancy charges under a lease in effect at December 31, 1968 for the period shown are as follows:

January 1, 1969 to April 30, 1977	$826.00

The company has the right to sublet the premises covered by the aforementioned leases provided that prior approval is received from the lessor.

All rentals are currently recovered from sub-lessees.

CARBEC MINES LIMITED

(No Personal Liability)

SCHEDULE OF ADMINISTRATION EXPENSES

For the Year ended December 31, 1968

	1968	1967
Salaries	17,218.75	21,089.32
Rent	4,239.36	3,505.66
Shareholder's information	2,247.88	7,448.34
Telephone and telegraph	3,152.22	3,840.07
Travel	1,426.29	4,164.07
Office Supplies	916.78	2,180.25
General	4,335.54	8,598.46
Management fees	((6,000.00)	(21,000.00)
	$ 28,773.11	$ 32,124.04